

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 58th LEGISLATURE - REGULAR SESSION

COMMITTEE ON APPROPRIATIONS

Call to Order: By **CHAIRMAN DAVE LEWIS**, on January 17, 2003 at 3:00 P.M., in Room 102 Capitol.

ROLL CALL

Members Present:

Rep. Dave Lewis, Chairman (R)
Rep. Rosalie (Rosie) Buzzas, Vice Chairman (D)
Rep. Edith Clark, Vice Chairman (R)
Rep. John Brueggeman (R)
Rep. Tim Callahan (D)
Rep. Stanley (Stan) Fisher (R)
Rep. Eve Franklin (D)
Rep. Dick Haines (R)
Rep. Donald L. Hedges (R)
Rep. Joey Jayne (D)
Rep. Carol C. Juneau (D)
Rep. Dave Kasten (R)
Rep. Christine Kaufmann (D)
Rep. Monica Lindeen (D)
Rep. John Musgrove (D)
Rep. Jeff Pattison (R)
Rep. Rick Ripley (R)
Rep. John Sinrud (R)
Rep. John Witt (R)

Members Excused: None.

Members Absent: None.

Staff Present: Jon Moe, Legislative Branch
Mary Lou Schmitz, Committee Secretary

Please Note:

Audio-only Committees: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing & Date Posted: HB 261, HB 273, HB 276, 1/13/2003

Executive Action: HB 217 DO PASS; HB 219 Do Pass
Failed

VICE-CHAIR CLARK presided while **CHAIRMAN LEWIS** sponsored a bill in another committee.

HEARING ON HB 261

Sponsor: REP. DICK HAINES, HD 63, Missoula.

Opening Statement by Sponsor:

REP. HAINES said this bill is very simple and very straight-forward. It increases the debt limit under the Municipal Finance Consolidation Act, to let the Board of Investments raise their cap on how much they can loan, and this bill would raise \$18 million through borrowing from them and pay that off with an increased fee on license plates. The loan would be for the Department of Justice for the Motor Vehicle Information Technology System. The pay back will come from a \$5 per title increase.

Proponents' Testimony:

Dean Roberts, Administrator of the Motor Vehicle Division spoke from Exhibit 1.

EXHIBIT(aph10a01)

{Tape: 1; Side: A; Approx. Time Counter: 0 - 23.9}

REP. JOHN WITT, HD 89, Carter, who served on HB 577 Title Project Advisory Committee, said the process they went through would save money in other areas.

Ronda Carpenter, Montana County Treasurers' Association said county treasurers want this new equipment as referred to in Exhibit 1.

Steve Tesinsky, Administrator, Department of Justice Information Technology Services Division, said, "If they were to get the authorization to fund this project, it would keep the momentum going. They would take the suspended IT work for the Title project and combine it with the registration work that would be needed."

{Tape: 1; Side: A; Approx. Time Counter: 23.7 - 29.7}

Mr. Tesinsky said they would also do a business improvement evaluation of all the driver's license practices, just as they have done with registration titling. They expect the cost for the registration would be approximately \$7.75 million. They would combine that with the remaining \$2.25 million that they have in titling in order to complete both titling and registration. They expect the cost for the driver's license project to be \$10.25 million.

They have learned from other IT projects around the State, as it is their intention, to earmark 10% of the money to provide post-implementation support.

The Department of Justice is managing this project on the replacement of the Title and Business System and will continue to upgrade the business processes.

Doug Kaerchen, Hill County/MACo asked the Committee to support this bill.

Brian Wolf, Chief Information Officer, State of Montana
EXHIBIT (aph10a02)

Larry Fasbender, Deputy Director, Department of Justice, said there is a lot of enthusiasm about this project, both in the Department and also people who have worked on it outside of the Department. Forecasting revenue is not an exact science. He thinks it is important that the funding, as it would be set up, would allow them some flexibility. They are currently working with the Department of Revenue on some technical problems. There will also be some amendments that are necessary for this bill.

Bob Pyfer, Senior Vice President, Montana Credit Union's League, strongly urged a Do Pass on this bill.

Steve Turkiewicz, Montana Auto Dealers' Association, extended to the Committee their overwhelming support of this bill.

Mona Jamison, representing **Gallatin County** urged the Committee's support of this bill.

Opponents' Testimony: None

Informational Testimony: None

Questions from Committee Members and Responses:

REP. KASTEN referred a question to Mr. Wolf, "Will this project fit into the state's IT with the direction we're going?" **Mr. Wolf** said "Yes."

REP. KASTEN made a comment concerning people's complaints about the different license plates. **Mr. Fasbender** responded by saying one of the things they are doing, because of the proliferation of all of those different plates, is to raise the fee.

REP. SINRUD asked **Mr. Roberts** how much would be saved in the future once this program is completed. **Mr. Roberts** said it's hard to place a dollar figure on it. At the present time they have 60.5 FTE in title registration. Just from this business process alone, there will be 53 FTE. In terms of registration, it will ultimately save personnel costs because they are going to take this to the lowest possible level.

In answer to another question from **REP. SINRUD**, **Mr. Roberts** said, "The debt will be paid off in 10 years."

In response to a question from **REP. HEDGES**, **Mr. Roberts** said that there is a bill going through the session now, probably House Transportation, that will make things more consistent. Those laws for both snowmobiles and ATVs are different than they are for automobiles.

REP. BUZZAS referred a question to **Carroll South, Executive Director, Montana Board of Investments**, concerning lifting the cap for purposes of this loan. "Is this specific to this loan or lifting the cap in general?" **Mr. South** said this is specific to this loan. They do not need anymore bond issuance authority for their regular program.

{Tape: 1; Side: B; Approx. Time Counter: 0 - 29.7}

REPS. JAYNE, PATTISON, KASTEN, FISHER to **Mr. Roberts**, **Mr. South** and **Mr. Wolf** for clarification and observations.

Closing by Sponsor:

REP. HAINES closed the Hearing on HB 261.

CHAIRMAN LEWIS took over the Chair at this point.

HEARING ON HB 273**Sponsor:** REP. KIM GILLAN, HD 11, Billings**Opening Statement by Sponsor:**

REP. KIM GILLAN said this bill is very short and the crux of the bill lies between lines 9 and 14. Department of Public Health and Human Services, (DPHHS) initially charged counties at an indirect cost rate of 9% and the counties set their budgets that year, factoring in a 9% indirect cost. Subsequently, DPHHS raised the indirect cost to 14% and "you can imagine what position that put some of the counties in." Some of the counties did not return or did not reimburse DPHHS for that increment between the 9% and 14%. They thought the issue was resolved during the last Legislative Session when the late **SENATOR DALE BERRY** carried SB 339 which basically forgives the counties of any of this debt. Unfortunately when HB 124 went into the mix there was some problem that the two counteracted each other. This bill is basically asking for appropriation which would go to DPHHS to cover the cost of that incremental increase that several counties did not give back to DPHHS.

Proponents' Testimony:

Bill Kennedy, Yellowstone County Commissioner, explained
EXHIBIT(aph10a03) Page 2.

Doug Kaerchen, Hill County Commissioner, explained assumed counties. Those that were assumed are already paying over their nine mills and the state already picked up their indirect costs. These were the counties that were able to do these expenses for less than their nine mills and were picking up the cost themselves.

Opponents' Testimony: none

Informational Testimony: None

*{Tape: 2; Side: A; Approx. Time Counter: 0 - 29.7}
{Tape: 2; Side: B; did not record.}*

Questions from Committee Members and Responses:

In response to a question from **REP. FISHER, Mr. Kennedy** said it is the counties that pay the indirect cost which was figured at 9% for an administration fee and the counties pay the state these

dollars. Through the whole welfare bill, the 9% was changed to 14% so that would be the percentage charged to the county for those services and the county would pay the state. Some counties paid but none of the counties wanted to pay these indirect costs.

REP. FISHER said, "And now you want \$225,000 to pick up the tab for what hasn't been paid." **Mr. Kennedy** said it wouldn't be the complete \$225,000 because there are counties such as Yellowstone County that have not paid the \$96,000 so the State would have to come up with less than \$225,000 and the counties that have not paid yet would be forgiven and the record would be cleared.

REP. HAINES asked **REP. GILLAN** why this bill wasn't written to forgive the debt and ask the DPHHS to pay back what they have already collected over and above the 9%. **REP. GILLAN** referred the question to **Mr. Kennedy**. He said this is a debt. These dollars would not go back, as they were told two years ago, to the DPHHS. Actually they would go back to the State General Fund. After a period of time it's a debt that is on the books. The Department asked the counties to pay this debt, but as they were told, the Department couldn't "forgive" us the money, it had to come back here because it was General Fund.

REP. HAINES asked why the bill isn't written to tell the Department of Public Health and Human Services they aren't going to get the additional 5% and they are going to pay back what they have already gotten from the counties that paid that much. **Mick Robinson, Operation and Technology Division, DPHHS**, said these particular funds were flowing into a State Special Revenue Fund for the DPHHS, so they have receivables in that Fund. The history of the 9% is that for a number of years the Department estimated the indirect administrative burden that the Department provided for the county welfare activity at an estimated 9%. The Department covered that with General Funds within the agencies. In this particular year, FY 2002, the Department's budget wasn't such that it could be covered, therefore, the actual amount of indirect costs that were incurred for that particular year, were billed to the county. They did exceed 9%. The actual was not 14%, but 12.5% that was finally allocated or billed to the counties. They have collected payments from 36 of the 43 counties. Seven counties still have not paid.

Mr. Robinson said the activity with these dollars is within the State Special Revenue Fund and they do not have the authority as a state agency to "forgive" those debts. They are doing everything they can and are required by law, to try to collect what they think is a proper indirect cost burden that was billed to the counties.

REP. WITT referred to **Harold Blattie, Director, MACo** for further explanation. **Mr. Blattie** said counties have long held the responsibility for providing general public assistance. Counties have the option of opting in as an assumed county and the value is generally set at nine mills. The State would assume 100% financial responsibility for providing those public assistance services. The 43 non-assumed counties continue to pay that proportion as administrative charges. That would determine the counties' share at the 9% of cost for staff, travel, etc.

CHAIRMAN LEWIS said the Department billed the counties a couple of years ago and some of them haven't paid. Under the Bad Debt Statute aren't you required to offset against payments to the counties? **Mr. Robinson** said they have tried to work with the counties to set up re-payment schedules for these particular amounts. They have not taken that step forward. **CHAIRMAN LEWIS** said if this bill were to pass, they would have to go ahead and offset those payments, under statute. **Mr. Robinson** verified that. The \$225,609 would be appropriated to the Department of Public Health and Human Services. The amount that has been collected to date is \$130,648. That amount would be reimbursed back to the counties that have paid. The excess would then basically cover the Accounts Receivable that they have not collected at this point. **CHAIRMAN LEWIS** said if this bill did not make it through the process, and the department is left with bad debts of \$225,000, those under statute would have to be offset. **Mr. Robinson** said the bad debts they have presently are just about \$95,000, which have not been collected for those additional indirect costs that they billed. Those are the amounts they would have to move to the offset process or enter into some payment plan with those counties to get those covered. They do have the authority to enter into re-payment agreement with the counties.

Closing by Sponsor:

REP. GILLAN closed the Hearing on HB 273.

HEARING ON HB 276

Sponsor: **REP. MONICA LINDEEN, HD 7, Huntley.**

Opening Statement by Sponsor:

REP. LINDEEN said the bill would create an Economic Development Fund in the Coal Severance Tax Trust Fund. She offered amendments to make corrections in the bill.

EXHIBIT (aph10a04)

Proponents' Testimony:

Tom Towe, former Senator who played an integral part setting up this fund, passed out Exhibits 5 and 6. The bill is very simple. It is patterned after the Treasure State Endowment Fund.

EXHIBIT (aph10a05)

EXHIBIT (aph10a06)

{Tape: 3; Side: A; Approx. Time Counter: 0 - 29.5}

Mr. Towe said economic development is important and new jobs are important to everyone. This will give economic development a permanent fund that they will always be able to count on.

Joe McClure, Director, Big Sky Economic Development Authority, handles all the economic development programs and initiatives that are in Yellowstone County. Economic development really happens at the local level and if that support isn't provided, then it won't be successful. This bill can create interest buy-down for businesses that are looking to increase their capital acquisitions; incumbent worker training dollars; the ability to help smaller manufacturers purchase equipment so they can become competitive in the market; dollars to help smaller manufacturers also pay for instruction and new manufacturing; relocation and expansion costs for businesses that are looking to relocate to Montana or expand within their existing facility. Those dollars would go straight to the business community. In turn, there would be a mechanism in place from his perspective that would say, "what is the return on this investment."

Charles Brooks, Billings Area Chamber of Commerce, the Montana Chamber of Commerce, the City of Billings, Yellowstone County and Deaconess Hospital, spoke for all of the above in favor of the bill.

Jerry Driscoll, representing Montana AFL/CIO, spoke in favor of the bill but would like to see an amendment for specialized training.

Gary Amestoy, Richland Economic Development Corporation, Sidney

Heidi Wright, Publisher, Montana Standard, Butte

Evan Barrett, Montana Economic Developers Association, Butte

Mike Barrett, Helena

Opponents' Testimony: None

Informational Testimony:**Dave Gibson, Governor's Office****Questions from Committee Members and Responses:**

REP. KAUFMANN asked **REP. LINDEEN** why not a trust within a trust for Education, Human Services and Economic Development. **REP. LINDEEN** said if Montana can ever find itself in a situation where it will begin to grow its economy again and people are working that are obviously paying taxes which means there is more money for Education and less need for a lot of Public Health and Human Services. She would hope there would be more tax money available.

REP. KAUFMANN took this opportunity to thank former **Senator Tom Towe** for this creation of the Coal Tax Trust. Her question to him was, "Since 25% under this bill will not be put into the permanent Trust but instead will be going into this Special Trust; is that not, in a sense, kind of stealing from Education, Health and Human Services down the road?" **Mr. Towe** said he doesn't consider that. First of all he really believes that it's consistent in the purposes of the Trust. Secondly, it's not really a separate Trust. It is a part of the Trust. The interest income from the Trust is available for all of the needs for the State. It goes into the General Fund. **Mr. Towe** gave out Exhibit 7, a copy of the language for I-95 which was the bill that was passed by the people by over 70% of the voters in 1982. It became the center-stone of the bill Montana programed. He called attention to Section 1. Purpose of the Coal Tax Trust Fund and Section 2. Use of the Coal Tax Trust Fund for Economic Development.

EXHIBIT(aph10a07)

REP. CALLAHAN asked **Mr. Gibson** for his views. **Mr. Gibson** said that in a number of ways this could be a very good thing. The best example would be if you measured what they have done with a continuous source of dedicated funds to Tourism and Marketing. We look at the growth of that industry and what it has done for the economy for the State. Workforce training is a wonderful outlet for this.

REP. KASTEN said the greatest thing government can do for economic development is to do away with some of our over-regulations.

{Tape: 3; Side: B; Approx. Time Counter: 0 - 29.6}

REP. MUSGROVE said to **REP. LINDEEN**, "This idea you proposed doesn't seem to fit very well on a two-year cycle." There are a number of issues already brought forth; the job training **Mr. Driscoll** mentioned and capital issues that seem to be a problem in terms of disbursement. **REP. LINDEEN** said there are definitely ways to work this out. She can work with individuals who have concerns to come up with amendments to the bill to offer in executive session.

In answer to a previous question from **REP. KASTEN**, **REP. LINDEEN** said the 5% would yield approximately \$200,000.

CHAIRMAN LEWIS said he was alarmed by this because this is the first time they have ever gotten into a situation, if he understood what the purposes would be, where they would have a list of projects come to the Legislature for appropriation that might include an interest rate buy-down for XYZ Corporation or new equipment for the Montana Rail Link or a re-location expense for another particular corporation. He said, "With all due respect, that is really scary to me. There may be a little Constitutional issue there." **Mr. Towe** said they are overlooking a process that is an intermediate process. The people who can apply for these grants are spelled out in Section 2, page 6, line 16 of the bill. **CHAIRMAN LEWIS** said he was referring to Section 5, page 7, "The department shall prepare and submit a list containing the recommended form and amount of financial assistance for each project to the governor." **Mr. Towe** said the way he understands it would be handled, and the way it's conceived, is that these non-profit organizations, such as Big Sky Economical Development, have reviewed authority and the all the others would put in applications and those applications would be for the use of funds. Those funds could be used, at least in part, as emergency funds that could be used immediately and that wouldn't necessarily have to go back to the legislature for each project to be approved. **Mr. Towe** said **CHAIRMAN LEWIS'** concern is taken care of by the fact that it is not appropriated to that business, it is appropriated to the Big Sky Economical Development authority who then would have the ongoing authority to assist in economical development in their area. **CHAIRMAN LEWIS** referred to language on page 7, lines 7 and 8. **Mr. Towe** said it would probably be helpful to change that language. **CHAIRMAN LEWIS** said what he wants to think through is how this doesn't get to be a "take care of your friends" kind of a deal.

REP. FRANKLIN asked for a point of personal privilege. She said whatever ideological differences and philosophical issues they have to work on, she is thrilled to have **SENATOR TOWE** present before this Committee. She had the privilege of serving with him

in the Senate. He has certainly made some incredible contributions.

Closing by Sponsor:

REP. LINDEEN said there are a few things to iron out in this bill as discussed with some amendments and closed the Hearing on the bill.

EXECUTIVE ACTION ON HB 217

Motion/Vote: **REP. BRUEGGEMAN** moved that **HB 217 DO PASS**. Motion carried unanimously 19-0 by voice vote.

EXECUTIVE ACTION ON HB 219

Motion: **REP. BRUEGGEMAN** moved that **HB 219 DO PASS**.

Discussion:

Jon Moe, Legislative Staffer, said he spoke to **Todd Everts, Assigned Legal Counsel**, and he said just the fact that this Section that is being amended already sets the rate based upon the amount that is charged on the Capitol campus. What this bill does is to freeze it at a certain level so since its been done before it can still be done and is not aware of any challenge.

In response to a question from **REP. KAUFMANN, REP. BRUEGGEMAN** said this is the rate the Department of Administration sets and the county usually bases this on the Department of Administration so the counties aren't actually setting the rates. This is actually freezing that in respect to the counties so they are not getting any Department of Administration increase. They have only been charging for this about three years.

REP. FISHER said we're not doing anything to the counties that's punitive, we're just saying that this is the rate that we are willing to pay. **REP. BRUEGGEMAN** said it is his understanding the counties do have to provide a space for the Assessors. **REP. WITT** said he doesn't think the counties have to provide space.

Vote: The motion failed 7-12 with **REPS. BUZZAS, CALLAHAN, FRANKLIN, HAINES, HEDGES, JAYNE, JUNEAU, KASTEN, KAUFMANN, MUSGROVE, PATTISON AND WITT** voting no on a roll call vote.

{Tape: 4; Side: A; Approx. Time Counter: 0.1 - 21.6}

ADJOURNMENT

Adjournment: 5:55 P.M.

REP. DAVE LEWIS, Chairman

MARY LOU SCHMITZ, Secretary

DL/MS

EXHIBIT (aph10aad)